

**RUTHVEN-AYRSHIRE  
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2016**

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**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

**Officials**

<b><u>NAME</u></b>	<b><u>TITLE</u></b>	<b><u>TERM EXPIRES</u></b>
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**Board of Education**

*(Before September 2016 Election)*

Susan Sikora	President	2017
Tracy Enderson	Vice President	2016
Larry Conlon	Board Member	2016
Heather Ruehle	Board Member	2016
Stephanie Fay	Board Member	2016
Bruce Long	Board Member	2017
Darin Malm	Board Member	2017

*(After September 2016 Election)*

Susan Sikora	President	2017
Tracy Enderson	Vice President	2019
Larry Conlon	Board Member	2019
Heather Ruehle	Board Member	2019
Stephanie Fay	Board Member	2019
Bruce Long	Board Member	2017
Darin Malm	Board Member	2017

**School Officials**

Andrew Woiwood	Superintendent	2016
Michelle Dowd	District Secretary/Treasurer	Indefinite
Steve Avery	Attorney	Indefinite



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Ruthven-Ayrshire Community School District  
Ruthven, Iowa

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ruthven-Ayrshire Community School District, as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ruthven-Ayrshire Community School District as of June 30, 2016, and the respective changes in financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 50 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ruthven-Ayrshire Community School District's basic financial statements. We and other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2016 on our consideration of Ruthven-Ayrshire Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ruthven-Ayrshire Community School District's internal control over financial reporting and compliance.

*Schnur & Company, LLP*

Fort Dodge, Iowa  
December 12, 2016



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

## **RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Ruthven-Ayrshire Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2016 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,799,703 in fiscal year 2015 to \$3,073,045 in fiscal year 2016, while General Fund expenditures increased from \$2,906,230 in fiscal year 2015 to \$3,174,073 in fiscal year 2016. This District's General Fund balance decreased from \$749,807 at the end of fiscal year 2015 to \$648,779 at the end of fiscal year 2016, a 13.5% decrease.
- The fiscal year 2016 General Fund revenue increase was attributable to increased state aid. The increase in expenditures was due primarily to management budgeting for negotiated salaries and benefits and restricted grant expenditures. One reason the General Fund balance decreased was the result of negotiated salaries and benefit increases especially in student support services.
- A slight rise in interest rates during the year, combined with consistent levels of cash available to be invested, resulted in interest earning in the General Fund alone increasing from \$1,818 in fiscal year 2015 to \$3,259 in fiscal year 2016.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Ruthven-Ayrshire Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### USING THIS ANNUAL REPORT (CONTINUED)

#### Reporting the District's Financial Activities

##### *Government-wide Financial Statements*

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

##### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### USING THIS ANNUAL REPORT (CONTINUED)

#### Reporting the District's Financial Activities (Continued)

##### *Fund Financial Statements (Continued)*

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

<b>Figure A-1</b>							
<b>Condensed Statement of Net Position</b>							
	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2015-2016</b>
Assets							
Current and other assets	\$ 4,540,837	\$ 4,231,634	\$ 17,689	\$ 8,788	\$ 4,558,526	\$ 4,240,422	7.5%
Capital assets, net of accumulated depreciation	1,004,130	975,412	18,102	22,076	1,022,232	997,488	2.5%
<b>Total assets</b>	<b>5,544,967</b>	<b>5,207,046</b>	<b>35,791</b>	<b>30,864</b>	<b>5,580,758</b>	<b>5,237,910</b>	<b>6.5%</b>
Deferred outflow of resources	155,941	155,882	4,859	4,842	160,800	160,724	0.0%
Liabilities							
Long-term liabilities	1,200,519	1,077,023	28,412	23,817	1,228,931	1,100,840	11.6%
Other liabilities	505,972	402,921	18,014	2,139	523,986	405,060	29.4%
<b>Total liabilities</b>	<b>1,706,491</b>	<b>1,479,944</b>	<b>46,426</b>	<b>25,956</b>	<b>1,752,917</b>	<b>1,505,900</b>	<b>16.4%</b>
Deferred inflow of resources	1,556,651	1,658,542	4,248	12,294	1,560,899	1,670,836	-6.6%
Net Position							
Invested in capital assets, net of related debt	1,004,130	975,412	18,102	22,076	1,022,232	997,488	2.5%
Restricted	1,859,088	1,840,511	-	-	1,859,088	1,840,511	1.0%
Unrestricted	(425,452)	(589,342)	(28,126)	(24,620)	(453,578)	(613,962)	26.1%
<b>Total net position</b>	<b>\$ 2,437,766</b>	<b>\$ 2,226,581</b>	<b>\$ (10,024)</b>	<b>\$ (2,544)</b>	<b>\$ 2,427,742</b>	<b>\$ 2,224,037</b>	<b>9.2%</b>

The District's total net position increased 9.2%, or \$203,705, from the prior year. The largest portion of the District's net position is restricted for capital projects.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$18,577, or 1.0%, over the prior year. The increase was primarily a result of revenues exceeding expenditures in the Management Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$160,384, or 26.1%. This increase in unrestricted net position was primarily a result of the revenues exceeding expenses in the current year.

Figure A-2 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015:

Figure A-2 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2016	2015	2016	2015	2016	2015	2015-16
Revenues:							
Program revenues:							
Charges for service	\$ 292,125	\$ 288,908	\$ 47,608	\$ 46,172	\$ 339,733	\$ 335,080	1.4%
Operating grants, contributions and restricted interest	487,360	454,165	69,645	62,302	557,005	516,467	7.8%
Capital grants, contributions and restricted interest	-	2,073	-	-	-	2,073	-100.0%
General revenues:							
Property tax	1,413,427	1,424,322	-	-	1,413,427	1,424,322	-0.8%
Statewide sales, services and use tax	232,898	216,762	-	-	232,898	216,762	7.4%
Unrestricted state grants	1,209,474	1,023,062	-	-	1,209,474	1,023,062	18.2%
Unrestricted investment earnings	4,766	3,705	1	1	4,767	3,706	28.6%
Other	84,899	48,216	1,657	121	86,556	48,337	79.1%
<b>Total revenues</b>	<b>3,724,949</b>	<b>3,461,213</b>	<b>118,911</b>	<b>108,596</b>	<b>3,843,860</b>	<b>3,569,809</b>	<b>7.7%</b>
Program expenses:							
Instruction	2,311,328	2,161,642	-	-	2,311,328	2,161,642	6.9%
Student support services	1,035,113	909,027	-	-	1,035,113	909,027	13.9%
Non-instructional programs	-	-	126,391	118,129	126,391	118,129	7.0%
Other expenses	167,323	188,997	-	-	167,323	188,997	-11.5%
<b>Total expenses</b>	<b>3,513,764</b>	<b>3,259,666</b>	<b>126,391</b>	<b>118,129</b>	<b>3,640,155</b>	<b>3,377,795</b>	<b>7.8%</b>
<b>Increase (decrease) in net assets</b>	<b>211,185</b>	<b>201,547</b>	<b>(7,480)</b>	<b>(9,533)</b>	<b>203,705</b>	<b>192,014</b>	<b>6.1%</b>
Net position beginning of year	2,226,581	2,025,034	(2,544)	6,989	2,224,037	2,032,023	9.4%
Net position end of year	\$ 2,437,766	\$ 2,226,581	\$ (10,024)	\$ (2,544)	\$ 2,427,742	\$ 2,224,037	9.2%

In fiscal year 2016, property tax and unrestricted state grants accounted for 70.4% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 98.6% of business type activities revenue. The District's total revenues were approximately \$3.8 million, of which approximately \$3.7 million was for governmental activities and more than \$0.1 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 7.7% increase in revenues and a 7.8% increase in expenses. Property tax decreased \$10,895 or approximately 0.8%. The increase in expenses is related to increases in negotiated salaries and benefits.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

#### Governmental Activities

Revenues for governmental activities were \$3,724,949 and expenses were \$3,513,764 for the year ended June 30, 2016. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2016 compared to the year ended June 30, 2015.

<b>Figure A-3</b>						
<b>Total and Net Cost of Governmental Activities</b>						
	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>		
	<b>2016</b>	<b>2015</b>	<b>Change 2015-2016</b>	<b>2016</b>	<b>2015</b>	<b>Change 2015-2016</b>
Instructional	\$ 2,311,328	\$ 2,161,642	6.9%	\$ 1,694,579	\$ 1,581,254	7.2%
Support	1,035,113	909,027	13.9%	980,020	849,969	15.3%
Other expenses	167,323	188,997	-11.5%	59,680	83,297	-28.4%
<b>Total</b>	<b>\$ 3,513,764</b>	<b>\$ 3,259,666</b>	<b>7.8%</b>	<b>2,734,279</b>	<b>\$ 2,514,520</b>	<b>8.7%</b>

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$292,125.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$487,360.
- The net cost of governmental activities was financed with \$1,413,427 in property and other taxes and \$1,209,474 in unrestricted state grants.

#### Business Type Activities

Revenues for business type activities during the year ended June 30, 2016 were \$118,911, representing a 9.5% increase over the prior year, while expenses totaled \$126,391, a 7.0% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

During the year ended June 30, 2016, the District experienced an increase in the number of student served by the School Nutrition program. The increase in students served was not enough to offset the increase in nutrition funding expenditures incurred during the year, resulting in an overall reduction in the School Nutrition Fund net position.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Ruthven-Ayrshire Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,516,518, well above last year's ending fund balances of \$2,388,587. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2016 is due to approximately \$16,150 increase in revenues relating to an increase in the statewide sales service and use tax received during fiscal year 2016.

#### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in unrestricted state grants and miscellaneous income resulted in increased revenues. The increase in revenues, however, was offset by an increase in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$749,807 to \$648,779 due, in part, to the negotiated salaries and benefits and managing existing expenditure commitments of the District.
- The Capital Projects Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Project Fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy fund balance decreased from \$388,955 at June 30, 2015 to \$355,006 at June 30, 2016. Growth during the year in tax revenue was not enough to offset capital improvements made during the year.
- The Statewide Sales, Services and Use Tax fund balance increased from \$814,202 at June 30, 2015 to \$941,041 at June 30, 2016. An increase in sales tax revenues during the year were offset due to management controlling capital expenditures in this fund for the year.

#### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$(5,120) at June 30, 2015 to \$(15,373) at June 30, 2016, representing a decrease of approximately 200.3%. For fiscal year 2016, the number of students served increased, which led to increased revenues; however, the increase was offset by an increase in expenditures, the School Nutrition Fund to experience a decline in net position during the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUDGETARY HIGHLIGHTS

The District's total revenues were \$124,235 more than total budgeted revenues, a variance of 3.3%. Local and federal sources increased in fiscal year 2016; causing the total amount received to be more than originally anticipated.

Total expenditures were more than budgeted, due primarily to the District's budget for the General Fund.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2016, the District had invested \$1,022,232, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-4) This represents a net increase of 2.5% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation/amortization expense for the year was \$169,934.

The original cost of the District's capital assets was \$3,085,924. Governmental funds account for \$2,995,879, with the remainder of \$90,045 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment category totaled \$1,434,612 at June 30, 2016, compared to \$1,247,822 reported at June 30, 2015. This significant increase resulted from the District purchasing a new school bus during the year.

Figure A-4								
Assets, net of Depreciation								
	Governmental Activities		Business Type Activities		Total District		Total	
	June 30,		June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015	2015-16	
Land	\$ 10,567	\$ 10,567	\$ -	\$ -	\$ 10,567	\$ 10,567		0%
Buildings	510,343	549,814	-	-	510,343	549,814		-7%
Improvements other than buildings	73,125	78,746	-	-	73,125	78,746		-7%
Furniture and equipment	410,095	336,285	18,102	22,076	428,197	358,361		19%
<b>Total</b>	<b>\$ 1,004,130</b>	<b>\$ 975,412</b>	<b>\$ 18,102</b>	<b>\$ 22,076</b>	<b>\$ 1,022,232</b>	<b>\$ 997,488</b>		<b>2.5%</b>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

#### Long-Term Debt

At June 30, 2016, the District had \$1,228,931 in total long-term debt outstanding. This represents an increase of approximately 19.29% from last year (See Figure A-5). Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

<b>Figure A-5</b>			
<b>Outstanding Long-term Obligations</b>			
	<b>Total District</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	<b>2015-2016</b>
Governmental activities:			
Compensated absences	\$ 12,784	\$ 9,156	39.6%
Early retirement	190,920	213,364	-10.5%
Net pension liability	911,816	766,761	18.9%
Net OPEB liability	84,999	87,742	-3.1%
<b>Total</b>	<b>\$ 1,200,519</b>	<b>\$ 1,077,023</b>	<b>11.5%</b>
Business type activities:			
Net pension liability	\$ 28,412	\$ 23,817	19.29%

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Palo Alto County has advised the District its total taxable valuation will increase 1.8% for property tax collected in fiscal year 2016 due to the recent completion of property revaluation assessments.
- The District expects a slight decrease in enrollment due to open enrollments.
- The District continues to share academic staff with Spencer and Graettinger-Terrill Community School Districts. The District currently shares all athletic programs with Graettinger-Terrill Community School District, along with partial day sharing (grades 9-12 for 5 periods per day) of students with Graettinger-Terrill Community School District.
- In fiscal year 2016, the District entered into a new agreement with the Teachers Association. Settlements in excess of "new money" or supplemental state aid will have an adverse effect on the District's General Fund budget and related fund balance.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle Dowd, District Treasurer and Business Manager, Ruthven-Ayrshire Community School District, 1235 5<sup>th</sup> Avenue South, Fort Dodge, Iowa 50501.

## **BASIC FINANCIAL STATEMENTS**



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

**Exhibit A**

**STATEMENT OF NET POSITION**

**Year Ended June 30, 2016**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 2,917,521	\$ 15,377	\$ 2,932,898
Receivables:			
Property tax:			
Delinquents	10,803	-	10,803
Succeeding year	1,420,308	-	1,420,308
Accounts	2,076	-	2,076
Income surtax	98,039	-	98,039
Due from other governments	92,090	-	92,090
Inventories	-	2,312	2,312
Capital assets, net of accumulated depreciation	1,004,130	18,102	1,022,232
<b>Total assets</b>	<b>5,544,967</b>	<b>35,791</b>	<b>5,580,758</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	155,941	4,859	160,800
<b>Liabilities</b>			
Accounts payable	313,703	-	313,703
Salaries and benefits payable	202,113	8,170	210,283
Due to other funds	(9,844)	9,844	-
Long-term liabilities:			
Portion due within one year:			
Termination benefits	36,620	-	36,620
Compensated absences	12,784	-	12,784
Portion due after one year:			
Net OPEB liability	84,999	-	84,999
Net pension liability	911,816	28,412	940,228
Termination benefits	154,300	-	154,300
<b>Total liabilities</b>	<b>1,706,491</b>	<b>46,426</b>	<b>1,752,917</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	1,420,308	-	1,420,308
Pension related deferred inflows	136,343	4,248	140,591
<b>Total deferred inflows of resources</b>	<b>1,556,651</b>	<b>4,248</b>	<b>1,560,899</b>

(Continued on next page)

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT****Exhibit A  
(Continued)****STATEMENT OF NET POSITION****Year Ended June 30, 2016**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 1,004,130	\$ 18,102	\$ 1,022,232
Restricted for:			
Categorical funding	182,268	-	182,268
Management levy purposes	349,936	-	349,936
Student activities	30,837	-	30,837
Physical plant and equipment	941,041	-	941,041
School infrastructure	355,006	-	355,006
Unrestricted	(425,452)	(28,126)	(453,578)
<b>Total net position</b>	<b>\$ 2,437,766</b>	<b>\$ (10,024)</b>	<b>\$ 2,427,742</b>

See notes to financial statements.

# RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Services		
<b>Functions/Programs:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,577,341	\$ 170,999	\$ 232,605	\$ -
Special instruction	481,266	9,412	112,790	-
Other instruction	252,721	56,844	34,099	-
	2,311,328	237,255	379,494	-
Support services:				
Student	3,468	-	-	-
Instructional staff	65,388	1,342	-	-
Administration	444,947	53,528	-	-
Operation and maintenance of plant				
	297,030	-	-	-
Transporation	224,280	-	223	-
	1,035,113	54,870	223	-
Other expenditures:				
Facilities acqusition	12,200	-	-	-
AEA flowthrough	107,643	-	107,643	-
Depreciation/amortization (unallocated)*	47,480	-	-	-
	167,323	-	107,643	-
Total governmental activities	3,513,764	292,125	487,360	-
Business type activities:				
Student services:				
Operation and maintenance of plant				
	1,204	-	-	-
Non-instructional programs:				
Food service operations	124,832	44,258	69,645	-
Community wellness center	355	3,350	-	-
Total business type activities	126,391	47,608	69,645	-
<b>Total</b>	<b>\$ 3,640,155</b>	<b>\$ 339,733</b>	<b>\$ 557,005</b>	<b>\$ -</b>

**Exhibit B**

**Net (Expense) Revenue  
and Changes in Net Position**

---

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (1,173,737)	\$ -	\$ (1,173,737)
(359,064)	-	(359,064)
(161,778)	-	(161,778)
(1,694,579)	-	(1,694,579)
(3,468)	-	(3,468)
(64,046)	-	(64,046)
(391,419)	-	(391,419)
(297,030)	-	(297,030)
(224,057)	-	(224,057)
(980,020)	-	(980,020)
(12,200)	-	(12,200)
-	-	-
(47,480)	-	(47,480)
(59,680)	-	(59,680)
(2,734,279)	-	(2,734,279)
-	(1,204)	(1,204)
-	(10,929)	(10,929)
-	2,995	2,995
-	(9,138)	(9,138)
(2,734,279)	(9,138)	(2,743,417)

(Continued on next page)



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2016**

	<b>Program Revenues</b>		
		<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
<b>Expenses</b>	<b>Charges for Services</b>		
<b>General Revenues:</b>			
Property taxes, levied for:			
General purposes			
Capital outlay			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net position			
Net position beginning of year			
Net position end of year			

\* This amount excludes the depreciation/amortization included in the direct expenses of various programs.

See notes to financial statements.

**Exhibit B**  
**(Continued)**

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ 1,295,348	\$ -	\$ 1,295,348
118,079	-	118,079
232,898	-	232,898
1,209,474	-	1,209,474
4,766	1	4,767
84,899	1,657	86,556
2,945,464	1,658	2,947,122
211,185	(7,480)	203,705
2,226,581	(2,544)	2,224,037
\$ 2,437,766	\$ (10,024)	\$ 2,427,742

# RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

## BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2016

	General	Capital Projects
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 1,073,918	\$ 1,265,108
Receivables:		
Property tax:		
Delinquent	7,816	933
Succeeding year	1,054,094	126,214
Accounts	2,076	-
Income surtax	98,039	-
Due from other funds	9,844	-
Due from other governments	53,849	38,241
<b>Total assets</b>	<b>\$ 2,299,636</b>	<b>\$ 1,430,496</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 296,683	\$ 8,235
Salaries and benefits payable	202,041	-
<b>Total liabilities</b>	<b>498,724</b>	<b>8,235</b>
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	1,054,094	126,214
Income surtax	98,039	-
<b>Total deferred inflows of resources</b>	<b>1,152,133</b>	<b>126,214</b>
Fund balances:		
Restricted for:		
Categorical funding	182,268	-
Management levy purposes	-	-
Student activities	-	-
School infrastructure	-	941,041
Physical plant and equipment	-	355,006
Unassigned	466,511	-
<b>Total fund balances</b>	<b>648,779</b>	<b>1,296,047</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,299,636</b>	<b>\$ 1,430,496</b>

See notes to financial statements.

**Exhibit C**

<b>Management</b>			
<b>Levy</b>	<b>Nonmajor</b>	<b>Total</b>	
\$ 538,802	\$ 39,693	\$ 2,917,521	
2,054	-	10,803	
240,000	-	1,420,308	
-	-	2,076	
-	-	98,039	
-	-	9,844	
-	-	92,090	
<b>\$ 780,856</b>	<b>\$ 39,693</b>	<b>\$ 4,550,681</b>	
\$ -	\$ 8,785	\$ 313,703	
-	72	202,113	
-	8,857	515,816	
240,000	-	1,420,308	
-	-	98,039	
240,000	-	1,518,347	
-	-	182,268	
540,856	-	540,856	
-	30,836	30,836	
-	-	941,041	
-	-	355,006	
-	-	466,511	
540,856	30,836	2,516,518	
<b>\$ 780,856</b>	<b>\$ 39,693</b>	<b>\$ 4,550,681</b>	



**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

**June 30, 2016**

**Total governmental fund balances (page 17)** \$ 2,516,518

*Amounts reported for governmental activities in the Statement of  
Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 1,004,130

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 98,039

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 155,941	
Deferred inflows of resources	<u>136,343</u>	19,598

Long-term liabilities, including other post-employment benefits payable, net pension liability, including compensated absences, and early retirement obligations, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,200,519)

**Net position of governmental activities (page 14)** \$ 2,437,766

See notes to financial statements.

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**Year ended June 30, 2016**

	<b>General</b>	<b>Capital Projects</b>
Revenues:		
Local sources:		
Local tax	\$ 1,066,898	\$ 118,079
Tuition	163,893	-
Other	133,829	1,128
State sources	1,537,316	235,315
Federal sources	142,119	282
<b>Total revenues</b>	<b>3,044,055</b>	<b>354,804</b>
Expenditures:		
Current:		
Instruction:		
Regular	1,555,439	39,218
Special	486,285	-
Other	187,092	-
	<b>2,228,816</b>	<b>39,218</b>
Student support services:		
Student	3,468	-
Instructional staff	66,235	-
Administration	408,946	12,870
Operation and maintenance of plant	191,032	60,116
Student transportation	167,933	137,510
	<b>837,614</b>	<b>210,496</b>
Other expenditures:		
Facilities acquisition	-	12,200
AEA flowthrough	107,643	-
	<b>107,643</b>	<b>12,200</b>
<b>Total expenditures</b>	<b>3,174,073</b>	<b>261,914</b>
Excess (deficiency) of revenues over (under) expenditures	<b>(130,018)</b>	<b>92,890</b>

**Exhibit E**

<b>Management</b>			
<b>Levy</b>	<b>Nonmajor</b>	<b>Total</b>	
\$ 251,549	\$ -	\$ 1,436,526	
-	-	163,893	
4,062	59,670	198,689	
4,297	-	1,776,928	
621	-	143,022	
260,529	59,670	3,719,058	
8,138	-	1,602,795	
-	-	486,285	
-	62,551	249,643	
8,138	62,551	2,338,723	
-	-	3,468	
-	-	66,235	
35,185	-	457,001	
70,422	-	321,570	
7,834	-	313,277	
113,441	-	1,161,551	
-	-	12,200	
-	-	107,643	
-	-	119,843	
121,579	62,551	3,620,117	
138,950	(2,881)	98,941	

(Continued on next page)



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**Year ended June 30, 2016**

	<b>General</b>	<b>Capital Projects</b>
Other financing sources:		
Proceeds from the disposal of property	\$ 352	\$ -
Special items	28,638	-
<b>Total other financing sources</b>	<b>28,990</b>	<b>-</b>
Change in fund balances	(101,028)	92,890
Fund balances, beginning of year	749,807	1,203,157
Fund balances, end of year	<u>\$ 648,779</u>	<u>\$ 1,296,047</u>

See notes to financial statements.

**Exhibit E**  
**(Continued)**

<b>Management</b>					
<b>Levy</b>		<b>Nonmajor</b>		<b>Total</b>	
\$	-	\$	-	\$	352
	-		-		28,638
	-		-		28,990
	138,950		(2,881)		127,931
	401,906		33,717		2,388,587
\$	540,856	\$	30,836	\$	2,516,518

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2016**

**Change in fund balances - total governmental funds (page 20)** \$ 127,931

*Amounts reported for governmental activities in the Statement of  
Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities but they are allocated over the estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 194,678	
Depreciation expense	<u>(165,960)</u>	28,718

Income surtaxes not collected for several months after the District's fiscal year-end are not considered available revenues in the governmental funds.		(23,098)
--	--	----------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	22,444	
Compensated absences	(3,628)	
Pension expense	56,075	
Other postemployment benefits	<u>2,743</u>	77,634

**Change in net position of governmental activities (page 16)** \$ 211,185

See notes to financial statements.

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**
**Exhibit G**
**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**
**June 30, 2016**

	<b>Nonmajor School Nutrition</b>	<b>Wellness Program</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash	\$ 13,863	\$ 1,514	\$ 15,377
Inventories	2,312	-	2,312
Total current assets	16,175	1,514	17,689
Noncurrent assets:			
Capital assets, net of accumulated depreciation	14,267	3,835	18,102
<b>Total assets</b>	30,442	5,349	35,791
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	4,859	-	4,859
<b>Liabilities</b>			
Current liabilities:			
Salary and benefits payable	8,170	-	8,170
Due to other funds	9,844	-	9,844
Total current liabilities	18,014	-	18,014
Noncurrent liabilities			
Net pension liability	28,412	-	28,412
<b>Total liabilities</b>	46,426	-	46,426
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	4,248	-	4,248
<b>Total deferred inflows of resources</b>	4,248	-	4,248
<b>Net Position</b>			
Net investment in capital assets	14,267	3,835	18,102
Unrestricted	(29,640)	1,514	(28,126)
<b>Total net position</b>	\$ (15,373)	\$ 5,349	\$ (10,024)

See notes to financial statements.



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**
**Exhibit H**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION  
PROPRIETARY FUNDS**
**Year Ended June 30, 2016**

	<b>Nonmajor School Nutrition</b>	<b>Wellness Program</b>	<b>Total</b>
Operating revenues:			
Local sources:			
Charges for service	\$ 44,258	\$ 3,350	\$ 47,608
Operating expenses:			
Support services:			
Operation and maintenance of plant	982	222	1,204
Non-instructional programs:			
Food service operations:			
Salaries	42,345	-	42,345
Benefits	5,495	-	5,495
Supplies	73,373	-	73,373
Depreciation	3,619	-	3,619
	124,832	-	124,832
Wellness program:			
Depreciation	-	355	355
	-	355	355
Total operating expenses	125,814	577	126,391
Operating income (loss)	(81,556)	2,773	(78,783)
Non-operating revenues:			
State sources	960	-	960
Federal sources	68,685	-	68,685
Other sources	1,657	-	1,657
Interest income	1	-	1
Total non-operating revenues	71,303	-	71,303
Increase (decrease) in net position	(10,253)	2,773	(7,480)
Net position beginning of year	(5,120)	2,576	(2,544)
Net position end of year	\$ (15,373)	\$ 5,349	\$ (10,024)

See notes to financial statements.

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**
**Exhibit I**
**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**
**Year Ended June 30, 2016**

	<b>Nonmajor School Nutrition</b>	<b>Wellness Program</b>	<b>Total</b>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 42,445	\$ -	\$ 42,445
Cash received from sale of recreational memberships	-	3,875	3,875
Cash paid to employees for services	(41,325)	-	(41,325)
Cash paid to suppliers for goods or services	(68,611)	(222)	(68,833)
Net cash provided by (used in) operating activities	(67,491)	3,653	(63,838)
Cash flows from non-capital financing activities:			
State grants received	960	-	960
Federal grants received	62,776	-	62,776
Other sources received	1,657	-	1,657
Advance (repayment) from (to) other funds	9,844	(2,139)	7,705
Net cash provided by (used in) non-capital financing activities	75,237	(2,139)	73,098
Cash flows from investing activities:			
Interest on investments	1	-	1
Net increase in cash	7,747	1,514	9,261
Cash beginning of year	6,116	-	6,116
Cash end of year	\$ 13,863	\$ 1,514	\$ 15,377

(Continued on next page)

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT****Exhibit I  
(Continued)****STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS****Year Ended June 30, 2016**

	<b>Nonmajor School Nutrition</b>	<b>Wellness Program</b>	<b>Total</b>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (81,556)	\$ 2,773	\$ (78,783)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Commodities used	5,909	-	5,909
Depreciation	3,619	355	3,974
(Increase) in inventories	(165)	-	(165)
Decrease in receivables	-	525	525
Increase in salaries and benefits payable	8,170	-	8,170
Increase in net pension liability	4,595	-	4,595
(Decrease) in deferred income	(1,813)	-	(1,813)
(Increase) in deferred outflows of resources	(17)	-	(17)
(Decrease) in deferred inflows of resources	(6,233)	-	(6,233)
Net cash provided by (used in) operating activities	<u>\$ (67,491)</u>	<u>\$ 3,653</u>	<u>\$ (63,838)</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2016, the District received \$5,909 of federal commodities.

See notes to financial statements.





## RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Summary of Significant Accounting Policies**

Ruthven-Ayrshire Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Ruthven and Ayrshire, Iowa and the predominate agricultural territory in Palo Alto County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity:**

For financial reporting purposes, Ruthven-Ayrshire Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Ruthven-Ayrshire Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto County Assessor's Conference Board.

#### **B. Basis of Presentation:**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (continued):

##### Government-wide Financial Statements (continued) –

*Restricted net position* result when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Special Revenue Fund, Management Levy is used to account for property taxes collected to pay property and casualty insurance premiums, unemployment insurance claims, fidelity bonds, workers' compensation insurance premiums, and early retirement incentives.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting:

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and other accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For the purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1.50% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Capital Assets – Capital assets, which include property and furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50
Improvements other than buildings	20-50
Furniture and equipment	5-20

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws, or are imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit these amounts.

*Unassigned* – All amounts not included in the preceding classifications.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceeded the amounts budgeted in the support services function.

#### F. Subsequent Events

Subsequent events have been evaluated through December 12, 2016, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

### Note 2. Cash, Cash Equivalents and Investments

The District's deposits in banks at June 30, 2016, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the District had the following investments:

<u>Type</u>	<u>Amortized Cost</u>
Principal Financial Group, Inc. common stock	<u>\$ 28,638</u>

The District uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the Principal Financial Group Inc. common stock was determined using the quoted market price. (Level 1 inputs)



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 10,567	\$ -	\$ -	\$ 10,567
Total capital assets not being depreciated	10,567	-	-	10,567
Capital assets being depreciated:				
Buildings	1,315,480	2,388	-	1,317,868
Improvements other than buildings	232,832	-	-	232,832
Furniture and equipment	1,247,822	192,290	5,500	1,434,612
Total capital assets being depreciated	2,796,134	194,678	5,500	2,985,312
Less accumulated depreciation for:				
Buildings	765,666	41,859	-	807,525
Improvements other than buildings	154,086	5,621	-	159,707
Furniture and equipment	911,537	118,480	5,500	1,024,517
	1,831,289	165,960	5,500	1,991,749
Total capital assets being depreciated, net	964,845	28,718	-	993,563
Governmental activities capital assets, net	\$ 975,412	\$ 28,718	\$ -	\$ 1,004,130
<b>Business type activities:</b>				
Furniture and equipment	\$ 90,045	\$ -	\$ -	\$ 90,045
Less accumulated depreciation	67,969	3,974	-	71,943
Business type activities capital assets, net	\$ 22,076	\$ (3,974)	\$ -	\$ 18,102

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Note 3. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$	73,394
Other		3,079

Support services:

Instructional staff		209
Administration		713
Operation and maintenance of plant		9,715
Transportation		31,370

118,480

Unallocated

47,480

Total governmental activities  
depreciation expense

\$ 165,960

Business type activities:

Food service operations	\$	3,619
Community wellness center		355

Total business type activities  
depreciation expense

\$ 3,974

### Note 4. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ 9,156	\$ 11,063	\$ 7,435	\$ 12,784	\$ 12,784
Termination benefits	213,364	-	22,444	190,920	36,620
Net pension liability	766,761	145,055	-	911,816	-
Net OPEB liability	87,742	42,139	44,882	84,999	-
Total	\$ 1,077,023	\$ 198,257	\$ 74,761	\$ 1,200,519	\$ 49,404
Business type activities					
Net pension liability	\$ 23,817	\$ 4,595	\$ -	\$ 28,412	\$ -
Total	\$ 23,817	\$ 4,595	\$ -	\$ 28,412	\$ -

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### Note 4. Long-term Liabilities (Continued)

Termination Benefits - The District offers a voluntary early retirement plan to employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2016, the District has an obligation to 4 participants. Actual early retirement expenditures for the year ended June 30, 2016 totaled \$22,444.

### Note 5. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### Note 5. Pension Plan (Continued)

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$120,707.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the District reported a liability of \$940,228 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's collective proportion was 0.018913%, which was a decrease of 0.000622% from its proportion measured as of June 30, 2014.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Note 5. Pension Plan (Continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued) – For the year ended June 30, 2016, the District recognized pension expense of \$62,976. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 14,206	\$ -
Changes of assumptions	25,887	-
Net difference between projected and actual earnings on IPERS investments	-	78,251
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	-	62,340
District contributions subsequent to the measurement date	120,707	-
Total	<u>\$ 160,800</u>	<u>\$ 140,591</u>

\$120,707 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (43,260)
2017	(43,260)
2018	(43,260)
2019	30,439
2020	(1,157)
Total	<u>\$ (100,498)</u>

There were no non-employer contributing entities to IPERS.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Note 5. Pension Plan (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04 %
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71 )
Total	100%	

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### Note 5. Pension Plan (Continued)

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0% lower (6.50%) or 1.0% higher (8.50%) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
District's proportionate share of the net pension liability	\$ 1,646,170	\$ 940,228	\$ 344,362

**IPERS' Fiduciary Net Position** – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to IPERS** – At June 30, 2016, the District reported payables to IPERS of \$0 for legally required District contributions and \$0 for legally required employee contributions withheld from employees' wage but not yet remitted to IPERS.

### Note 6. Other Postemployment Benefit (OPEB)

**Plan Description** – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 24 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

**Funding Policy** – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Note 6. Other Postemployment Benefit (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2016, the amount contributed to the plan and changes in the District’s net OPEB obligation.

Annual required contribution	\$ 59,852
Interest on net OPEB obligation	2,194
Adjustment to annual required contribution	(19,907)
Annual OPEB cost	42,139
Contributions made	(44,882)
Increase in net OPEB obligation	(2,743)
Net OPEB obligation beginning of year	87,742
Net OPEB obligation end of year	<u>\$ 84,999</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the District contributed \$44,882 to the medical plan. Plan members eligible for benefits contributed \$4,215, or 9.4% of the premium cost.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 41,566	75.5%	\$ 76,989
2015	40,970	73.8	87,742
<b>2016</b>	<b>42,139</b>	<b>106.5</b>	<b>84,999</b>

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$232,430, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$232,430. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,110,119 and the ratio of the UAAL to covered payroll was 20.9%. As of June 30, 2016, there were no trust fund assets.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### **Note 6. Other Postemployment Benefit (OPEB) (Continued)**

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%. An inflation rate of 0.0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Annuity Mortality Table projected to 2015, applied on a gender-specific basis. Aging curve is based upon the 2006 Society of Actuaries Study.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

### **Note 7. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 8. Area Education District**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$107,643 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Note 9. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2016 is comprised of the following programs:

<b>Program</b>	<b>Amount</b>
Mentoring	\$ 1,839
Early Readers	26,131
Teacher Quality - Core	16,026
Teacher Quality - Professional Development	7,996
Teacher Leadership Grant	5,323
At risk	23,922
Drop out prevention	59,539
Gifted and talented	41,492
	<u>\$ 182,268</u>

### Note 10. Lease Commitments

The District entered into a lease for a copy machine requiring monthly payments of \$675. The lease expires in February 2019. Total future minimum lease payments by year as of June 30, 2016, follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2017	\$ 8,104
2018	8,104
2019	5,403
	<u>\$ 21,611</u>

Total lease expense for the year ended June 30, 2016 was \$8,104.

### Note 11. Due From and Due To Other Funds

The detail of interfund receivables and payable at June 30, 2016 is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General	Nutrition Fund	\$ 9,844
Total		<u>\$ 9,844</u>

The Nutrition Fund is repaying the general fund for operating expenses paid on its behalf. The balance is to be repaid by June 30, 2017.

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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### **Note 12. New Accounting Pronouncement**

The District adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

# RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -- BUDGET AND ACTUAL -- ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND

Required Supplementary Information

Year Ended June 30, 2016

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 1,799,108	\$ 49,266	\$ 1,848,374
State sources	1,776,928	960	1,777,888
Federal sources	143,022	68,685	211,707
<b>Total revenues</b>	<b>3,719,058</b>	<b>118,911</b>	<b>3,837,969</b>
Expenditures/Expenses:			
Current:			
Instruction	2,338,723	-	2,338,723
Support services	1,161,551	1,204	1,162,755
Non-instructional programs	-	125,187	125,187
Other expenditures	119,843	-	119,843
<b>Total expenditures/expenses</b>	<b>3,620,117</b>	<b>126,391</b>	<b>3,746,508</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>98,941</b>	<b>(7,480)</b>	<b>91,461</b>
Other financing sources, net	28,990	-	28,990
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses</b>	<b>127,931</b>	<b>(7,480)</b>	<b>120,451</b>
Balance, beginning of year	2,388,587	(2,544)	2,386,043
Balance, end of year	<u>\$ 2,516,518</u>	<u>\$ (10,024)</u>	<u>\$ 2,506,494</u>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 1,781,523	\$ 1,781,523	\$ 66,851
1,775,711	1,775,711	2,177
156,500	156,500	55,207
3,713,734	3,713,734	124,235
<hr/>		
2,396,404	2,396,404	57,681
912,280	912,280	(250,475)
132,900	132,900	7,713
271,996	271,996	152,153
3,713,580	3,713,580	(32,928)
<hr/>		
154	154	(91,307)
-	-	28,990
<hr/>		
154	154	120,297
2,299,306	2,299,306	86,737
<hr/>		
\$ 2,299,460	\$ 2,299,460	\$ 207,034
<hr/>		





## **RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

### **Note to Required Supplementary Information – Budgetary Reporting Year ended June 30, 2016**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2016, expenditures exceeded the amounts budgeted in support services functions and the District exceeded its total budgeted expenditures. The District did not exceed its unspent authorized budget.



# **RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

## **Schedule of the District's Proportionate Share of the Net Pension Liability**

### **Iowa Public Employees' Retirement System**

**For the Last Two Fiscal Years \***

**(In Thousands)**

### **Required Supplementary Information**

	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.018913%	0.019535%
District's proportionate share of the net pension liability	\$ 940	\$ 791
District's covered-employee payroll	\$ 1,313	\$ 1,265
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.59%	62.53%
IPERS net position as a percentage of the total pension liability	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

# **RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

## **Schedule of the District Contributions**

### **Iowa Public Employees' Retirement System For the Last Ten Years (In Thousands)**

#### **Required Supplementary Information**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 121	\$ 117	\$ 113	\$ 122
Contributions in relation to the statutorily required contribution	<u>(121)</u>	<u>(117)</u>	<u>(113)</u>	<u>(122)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,352	\$ 1,313	\$ 1,265	\$ 1,412
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 120	\$ 112	\$ 111	\$ 103	\$ 93	\$ 82
<u>(120)</u>	<u>(112)</u>	<u>(111)</u>	<u>(103)</u>	<u>(93)</u>	<u>(82)</u>
<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>
\$ 1,481	\$ 1,611	\$ 1,666	\$ 1,623	\$ 1,538	\$ 1,420
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%



## **RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

### **Notes to Required Supplementary Information – Pension Liability Year ended June 30, 2016**

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#### *Changes of Benefit Terms:*

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3.0% per year measured from the member's first unreduced retirement age to a 6.0% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National guard installation security officers – from Regular membership to the protection occupation group for future service only.

#### *Changes of Assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.





# RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

## Schedule of Funding Progress for the Retiree Health Plan (In Thousands)

### Required Supplementary Information

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
<b>2010</b>	Jul 1, 2009	-	\$ 123	\$ 123	0.00	\$ 730	16.5%
2011	Jul 1, 2009	-	129	129	0.00	1,160	11.2%
2012	Jul 1, 2009	-	129	129	0.00	930	13.9%
2013	Jul 1, 2012	-	271	271	0.00	1,552	17.4%
2014	Jul 1, 2012	-	271	271	0.00	1,162	23.3%
2015	Jul 1, 2012	-	238	238	0.00	1,175	20.2%
<b>2016</b>	<b>Jul 1, 2015</b>	-	<b>232</b>	<b>232</b>	<b>0.00</b>	<b>1,110</b>	<b>20.9%</b>

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.



## **SUPPLEMENTARY INFORMATION**



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT****Schedule 1****Balance Sheet  
Nonmajor Governmental Fund****June 30, 2016**

	<b>Student Activity</b>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 39,693</u>
<b>Total assets</b>	<u><u>\$ 39,693</u></u>
<b>Liabilities and Fund Balances</b>	
Liabilities:	
Accounts payable	\$ 8,785
Salaries and benefits payable	<u>72</u>
<b>Total liabilities</b>	<u>8,857</u>
Fund balances:	
Restricted for:	
Student activities	<u>30,836</u>
<b>Total fund balances</b>	<u>30,836</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 39,693</u></u>

See accompanying independent auditor's report.

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT****Schedule 2****Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Fund****Year Ended June 30, 2016**

	<u><b>Student Activity</b></u>
Revenues:	
Local sources:	
Other	\$ 59,670
Total revenues	<u>59,670</u>
Expenditures:	
Current:	
Instruction:	
Other	62,551
Total expenditures	<u>62,551</u>
Change in fund balance	(2,881)
Fund balances beginning of year	<u>33,717</u>
Fund balances end of year	<u>\$ 30,836</u>

See accompanying independent auditor's report.

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**
**Schedule 3**
**Schedule of Changes in Special Revenue Fund, Student Activities Accounts**
**Year ended June 30, 2016**

<b>Account</b>	<b>Balance Beginning of Year</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Intra-Fund Transfers</b>	<b>Balance End of Year</b>
Undistributed	\$ -	\$ 200	\$ -	\$ (200)	\$ -
Drama	-	617	2,221	1,604	-
Speech	-	25	52	27	-
Basketball	4,277	1,797	366	-	5,708
Track	-	80	1,541	1,461	-
Football	-	5,567	7,300	1,733	-
Baseball	-	1,045	1,904	859	-
Wrestling	-	1,793	5,951	4,158	-
Volleyball	-	1,805	2,986	1,181	-
Softball	-	193	1,415	1,222	-
BB club	2,397	970	169	(3,198)	-
R/A club	2,778	4,007	3,473	-	3,312
National Honor Society	231	5,881	5,984	-	128
Music	1,395	2,162	2,696	-	861
Cheerleaders	713	6,937	6,071	-	1,579
Activity tickets	-	8,651	4,007	(4,644)	-
Book fair	736	-	-	-	736
Yearbook	12,651	2,981	2,157	(3,703)	9,772
Interest	9	-	-	-	9
Student council	3,049	1,517	1,867	-	2,699
Art club	749	-	-	-	749
Marketing club	89	-	-	-	89
Uniforms	-	500	-	(500)	-
Earth Day fund raiser	929	-	-	-	929
Class of 2015	643	-	643	-	-
Class of 2016	3,071	-	2,441	(630)	-
Class of 2017	-	12,942	9,307	630	4,265
<b>Total</b>	<b>\$ 33,717</b>	<b>\$ 59,670</b>	<b>\$ 62,551</b>	<b>\$ -</b>	<b>\$ 30,836</b>

See accompanying independent auditor's report.



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**
**Schedule 4**
**Combining Balance Sheet  
Capital Project Accounts**
**June 30, 2016**

	<b>Capital Projects</b>		
	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 909,013	\$ 356,095	\$ 1,265,108
Receivables:			
Property tax:			
Delinquent	-	933	933
Succeeding year	-	126,214	126,214
Due from other governments	38,241	-	38,241
<b>Total assets</b>	<b>\$ 947,254</b>	<b>\$ 483,242</b>	<b>\$ 1,430,496</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 6,213	\$ 2,022	\$ 8,235
Total liabilities	6,213	2,022	8,235
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	126,214	126,214
Total deferred inflows of resources	-	126,214	126,214
Fund balances:			
Restricted for:			
School infrastructure	941,041	-	941,041
Physical plant and equipment	-	355,006	355,006
Total fund balances	941,041	355,006	1,296,047
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 947,254</b>	<b>\$ 483,242</b>	<b>\$ 1,430,496</b>

See accompanying independent auditor's report.

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**
**Schedule 5**
**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances**
**Capital Project Accounts**
**Year ended June 30, 2016**

	<b>Capital Projects</b>		
	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 118,079	\$ 118,079
Other	210	918	1,128
State sources	232,898	2,417	235,315
Federal sources	-	282	282
Total revenues	233,108	121,696	354,804
Expenditures:			
Instruction:			
Regular instruction	2,534	36,684	39,218
Support services:			
Administration	-	12,870	12,870
Operation and maintenance of plant	60,116	-	60,116
Student transportation	40,266	97,244	137,510
Other expenditures:			
Facilities acquisition	3,353	8,847	12,200
Total expenditures	106,269	155,645	261,914
Change of fund balances	126,839	(33,949)	92,890
Fund balances beginning of year	814,202	388,955	1,203,157
Fund balances end of year	\$ 941,041	\$ 355,006	\$ 1,296,047

See accompanying independent auditor's report.

# RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

## Schedule of Revenues by Source and Expenditures by Function All Governmental Funds

For the Last Ten Years

	2016	2015	2014	2013
Revenues:				
Local sources:				
Local tax	\$ 1,436,526	\$ 1,419,921	\$ 1,661,678	\$ 1,841,074
Tuition	163,893	140,673	173,762	189,277
Other	198,689	210,186	200,054	184,030
Intermediate sources	-	-	-	136
State sources	1,776,928	1,556,350	1,503,295	1,304,497
Federal sources	143,022	128,196	98,485	106,681
Total revenues	\$ 3,719,058	\$ 3,455,326	\$ 3,637,274	\$ 3,625,695
Expenditures:				
Instruction:				
Regular	\$ 1,602,795	\$ 1,537,953	\$ 1,562,054	\$ 1,559,984
Special	486,285	420,938	415,555	447,224
Other	249,643	222,282	192,222	177,574
Support services:				
Student	3,468	17,655	2,995	22,450
Instructinal staff	66,235	39,795	49,419	26,979
Administration	457,001	410,755	326,676	380,764
Operation and maintenance	321,570	269,515	234,123	185,757
Transportation	313,277	183,326	209,921	240,387
Other expenditures:				
Facilities acquisition	12,200	120,005	136,655	119,573
AEA flowthrough	107,643	103,627	103,381	101,243
Total expenditures	\$ 3,620,117	\$ 3,325,851	\$ 3,233,001	\$ 3,261,935

See accompanying independent auditor's report.

**Schedule 6**

<b>Modified Accrual Basis</b>					
2012	2011	2010	2009	2008	2007
\$ 1,794,684	\$ 1,667,499	\$ 1,408,293	\$ 1,323,754	\$ 1,212,129	\$ 1,205,671
176,534	207,412	209,818	208,051	267,383	272,804
149,757	104,608	203,185	153,499	148,381	137,809
-	-	-	-	3,935	-
1,315,973	1,143,361	1,050,614	1,228,097	1,224,108	1,005,190
131,829	169,723	290,168	94,832	99,212	103,754
<b>\$ 3,568,777</b>	<b>\$ 3,292,603</b>	<b>\$ 3,162,078</b>	<b>\$ 3,008,233</b>	<b>\$ 2,955,148</b>	<b>\$ 2,725,228</b>
\$ 1,380,009	\$ 1,553,743	\$ 1,392,253	\$ 1,381,956	\$ 1,299,942	\$ 1,254,302
412,878	331,994	374,588	401,794	362,575	361,057
425,873	316,561	442,495	403,115	382,480	269,209
8,764	12,189	7,063	10,890	6,950	59,213
30,594	29,980	25,883	28,572	22,504	25,789
325,393	309,069	309,033	280,057	291,181	306,552
225,909	208,660	225,718	206,562	212,965	179,692
118,837	98,824	116,069	20,397	109,036	94,943
276,729	89,379	234,072	110,349	48,652	119,396
100,313	104,924	103,600	91,949	87,320	81,279
<b>\$ 3,305,299</b>	<b>\$ 3,055,323</b>	<b>\$ 3,230,774</b>	<b>\$ 2,935,641</b>	<b>\$ 2,823,605</b>	<b>\$ 2,751,432</b>



**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**







**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of Education of  
Ruthven-Ayrshire Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ruthven-Ayrshire Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ruthven-Ayrshire Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ruthven-Ayrshire Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ruthven-Ayrshire Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ruthven-Ayrshire Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Ruthven-Ayrshire Community School District's Responses to the Findings

Ruthven-Ayrshire Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Ruthven-Ayrshire Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Schnur & Company, LLP*

Fort Dodge, Iowa  
December 12, 2016



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2016**

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**Internal Control Deficiencies:**

No matters were noted.

**Instances of Non-compliance:**

No matters were noted.

**Part III: Other Findings Related to Required Statutory Reporting:**

III-A-16 Certified Budget – Expenditures for the year ended June 30, 2016 exceeded the amended certified budget amounts in the support services function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

III-B-16 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-16 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-16 Business Transactions – No business transactions between the District and District officials or employees were noted.

III-E-16 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-16 Board Minutes – No transactions requiring board approval that had not been approved by the board were noted.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Year Ended June 30, 2016**

**Part III: Other Findings Related to Required Statutory Reporting (Continued)**

III-G-16 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

III-H-16 Supplemental Weighting – Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this issue.

District Response – We will contact the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion – Response accepted.

III-I-16 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

III-J-16 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

III-K-16 Categorical Funding – No instances were noted of categorical funding being used to supplant other than supplement other funds were noted.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Year Ended June 30, 2016**

**Part III: Other Findings Related to Required Statutory Reporting (Continued)**

- III-L-16    Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	814,202
Revenues/transfers in:			
Statewide sales, service and use tax revenue	\$	232,898	
Other		<u>210</u>	233,108
Expenditures/transfers out:			
Equipment			<u>106,269</u>
Ending balance		\$	<u><u>941,041</u></u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.



